The Power of Who We Are: How Organizational Identity Influences IT Outsourcing Success

Full Paper

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Abstract

Corporate Information Technology (IT) functions are under increasing pressure to succeed in their IT outsourcing (ITO) arrangements. Studies of ITO success have in the past mainly explored operational and financial aspects. At the same time there is limited research on broader organizational antecedents and outcomes of ITO. Because the influence and complexity of ITO is increasing, antecedents that relate to the very nature and purpose of the function are more prevalent now than 20 years ago. This study examines the effect of organizational identity (OI) on outsourcing success. Building on a recent study which confirmed the positive role of OI strength on outsourcing success, we ask: *Are there specific outsourcing and organizational conditions where IT organizational identity influences more outsourcing success?* Conducting an empirical examination of 312 IT leaders engaged in outsourcing, we find the effect of OI strength matters more under specific conditions - when IT organizations outsource core functions, maintain a utilitarian OI type of orientation, and have low cultural similarity between the client and the supplier. We thereby deepen our understanding in the role of identity strength as a potential determinant of ITO success and subsequently surmise that it's likely to have a material impact on the firm.

Key words: outsourcing; organizational identity; effective knowledge sharing; outsourcing type; multi-level identity

Introduction

Worldwide Information Technology (IT) spending hovered around $3.7 trillion in 2015 (Lovelock et al, 2015) of which 19% is directed to outsourcing (Pettey & van der Meulen, 2014). At the same time, IT organizations are under an increasing pressure to succeed in their IT outsourcing (ITO) arrangements as part of their overall sourcing strategy success: Sourcing accounting for 65% of the total spend in IT (Pettey & van der Meulen, 2014). As a result, IT managers pursue multiple ways to achieve sound ITO outcomes and seek related guidance. What they often find are simple 'toolboxes' which provide a set of detailed tactics to create a successful ITO engagement (Heath, 2009; Sullivan, 2013). Although these frameworks provide practitioners useful tactics and steps to improve their relationships with ITO partners, they limit the IT leader's focus on a few narrow tactics and make them ignore possible broader effects of ITO on IT organizations.

A recent study conducted by McGuire et al. (2015) moved beyond narrow tactics to address ITO challenges by elucidating significant contextual factors within the IT function which are likely to influence ITO success. In particular, they explored generic organizational characteristics of the IT function which are likely to influence the success of ITO. Organizational identity(OI)was chosen based on McGuire's 2014 study which found that the type and strength of an IT organization's identity significantly contributes to the IT manager's experience of ITO success. Essentially, an IT organization's identity - how an organization sees itself and how it portrays itself to the outside world (Gioia et al, 2013, p. 125) - shapes how it approaches and manages its external relationships- including how to relate to ITO partners. By

confirming the mediating effects of OI strength between a prominent relationship characteristic - effective knowledge sharing - and ITO success, practitioners can now understand that their own identity is another lever to exploit in improving the chances for success in their ever changing sourcing strategy.

Although this recent finding is significant in establishing the presence of OI strength in the ITO context, we suspect that it's not always present and if present, not always a significant impact on knowledge sharing's influence on ITO success. Suggesting that it is may derive another series of "checklists" or formularies for practitioners to follow as they seek to maximize the relationship. By leaving *how* OI influences ITO success out of the conversation, we miss an opportunity to understand how other ITO success antecedents and cultural/sense-making aspects of the IT organization influence identity strength in ITO arrangements. This study seeks to address the question "*are there specific outsourcing and organizational conditions where organizational identity influences outsourcing success?"* An exploratory study by McGuire et al (2014) exposed several factors which are associated with identity formation and change in the outsourcing environment of the IT function. We'll employ four of these factors in this study: Two ITO success antecedents – ITO type and Client-Supplier Cultural Similarity – and two organizational influences – OI type and team-level OI strength – as moderated effects on OI strength. Although we have a foundation of ITO literature that explores these ITO success antecedents (Rustagi, 2008; Currie & Willcocks, 1998) and OI literature that explores influences on identity strength (Foreman & Whetten, 2002; Brickson, 2005), this study brings a unique contribution to literature by surfacing both ITO and OI influences on the identity strength of the IT function itself. The study also informs practitioners, cautioning against neglecting the impact of building strong OI within the IT function. Instead, the study encourages IT leaders to evaluate OI strength under a variety of circumstances so that they can drive their ITO arrangements for sustainable positive effects. The remainder of the study is organized as follows: In the subsequent sections, we will review OI and ITO literature followed by a review of the research method, research results, discussion, and implications.

Literature Review

Examining OI Strength in an ITO context. The idea of an organization assumes the concept of identity - the members need to be able to draw a line between 'us' and 'them'. Albert and Whetten (1985) accordingly define organizational identity (OI) as a set of organizational characteristics that are central, enduring, and distinctive (Albert & Whetten, 1985). Later studies have called into question the notion of enduring identity and instead suggested that an organization's identity does change over time. It is a fundamentally relational construct which explains how the organization defines its typified relationships within its environment (Fiol, 2002; Corley & Gioia, 2004). Strength of identity measures a member's perception of how well their organization maintains a set of characteristics that are central and distinctive (Milliken, 1990). Milliken hypothesized (and subsequently found support) that a strong sense of OI is associated with the organization's relative imperviousness to environmental changes - whether or not these perceptions reflect true reality. Several studies have found support that individuals' strength-of-identity perceptions also influences the member's approach to their work (Cole & Bruch, 2006; Milliken, 1990).

IT Outsourcing (ITO), in general, can be defined as the movement of functions, systems and staff from internal organizations to third party vendors (Lacity & Hirschheim, 1993), and numerous researchers have built a strong and expansive body of literature on that covers ITO operational practices, antecedents, and outcomes (Lacity & Hirscheim, 1993; Lee et al, 2003; Kern and Willcocks, 2002). The success of any ITO engagement is accordingly evaluated across strategic, economic, and technical benefits (Lee, 2000). Previous research focused on ITO's antecedents such as relationship, contractual, and partnership success which has helped us better understand the determinants of ITO success (Lee, 2000; Lacity & Hirchhiem, 1993). Lee's 2000 study examined the effects of a prominent relationship characteristic - knowledge sharing - on ITO success. He found that while knowledge sharing - the extent to which critical or proprietary information is communicated to one's partners- is a powerful contributor to ITO success, it was stronger when an IT organization increased its capacity to receive and process information. A recent study conducted by McGuire et al (2015) builds on Lee's finding by offering OI as a possible explanation for how an IT organization expands that capacity. Although this is a promising lead, it's limited in that we suspect OI is not always present and if present, not always a significant impact on knowledge sharing's influence on ITO success. OI strength is more complex than a binary element

affecting ITO success like an 'on-off' switch. Therefore, we must deepen our understanding by asking *when* identity strength matters – not merely *if* identity strength matters.

ITO Type. In the context of ITO, the underlying premise of 'type' is that what you outsource – referred to *degree of core competence* or *ITO type* - matters (Rustagi, 2008; Currie & Willcocks, 1997). Rustagi et al (2008) takes the notion of ITO type beyond whether or not it produces successful ITO arrangements. By examining client-vendor pairs, they find clients who have technical or relationship management knowledge, or have high levels of trust in their vendors, use fewer formal control techniques. Consistent with what we know about the notion of degree of core competence outsourced, evidence has been mixed in terms of how and in what way the type of ITO impacts the degree of ITO success (Rustagi, 2008; Hancox & Hackney 2000). We contend that this is due to a gap in the models being tested lacking the proper organization contextual backdrop.

OI Type. Organizational identity (OI) type is defined as a perception of one's organization to be either utilitarian or normative in nature. When members perceive the organization's character to be oriented mainly toward economic factors, identity is utilitarian; when they perceive the organization's character to be oriented mainly toward ideological and value-based concerns, the identity is more normative (Gioia and Thomas, 1996). Gioia and Thomas (1996) built upon earlier research of strength and posited its influence on issue management when a firm makes strategic decisions. They found that when leaders perceived their institutions to be utilitarian, they tended to see the issues they faced as being strategic, whereas those who perceived their institutions as normative saw the same issues as less strategic. Recent research examines identity type also as boundary condition. It recognizes that identity is fluid rather than static and also type can change over time (Phillips & Kim, 2009).

Team-level Identity Strength. The multi-layered identities can at times create performance challenges when they are in conflict with each other- particularly in the face of change (Corley & Gioia, 2004). Corley and Gioia (2004), for example, examined OI change in the wake of the spin-off of one business unit from the larger firm. This type of change maintains a similarity to the change brought by ITO because it throws into question members' understanding of "who we are." Those who were insiders in a particular organization became outsiders as the change proceeded. As the OI changes, identity ambiguity emerges when no justifiable identity claims can be made and members therefore do not feel that the organization has a definitive identity. The notion of identity ambiguity in the wake of a subtractive organizational change translates well into the ITO contexts, as in the wake of ITO employees are left ambiguous of the host organization and may seek to re-establish 'who we are'. Even when identities vary across the levels, that variability may provide the requisite identity variety and flexibility in complex environments, like ITO.

Client-Supplier Cultural Similarity. Client-supplier cultural similarity – degree of similarity of corporate cultures between client and supplier - has garnered limited attention and mixed results compared to other factors like effective knowledge sharing, trust, and communication. Lee and Kim (1999) found no significant influence of cultural similarity when exploring partnership quality's influence on ITO success. In contrast, Kern (1997) found client-supplier culture a must factor for evaluation as the client-supplier relationship matures. More recently, Whitten and Leidner (2006) discussed the role of culture similarity when examining why organizations choose to 'backsource' – bringing IT back into the organization – versus choosing a new vendor when the current vendor is not meeting the need. Their study encourages further research to further understanding of other organizational forces which contribute to a successful relationship.

Theory and Hypothesis

The objective of this study is to provide important new insights into the role of organizational identity in IT functions in an outsourcing setting – specifically, to explore what organizational and outsourcing conditions may trigger Organizational Identity (OI) strength's influence on IT Outsourcing

(ITO) outcomes via the effective knowledge sharing. Figure 1 represents the research model used in this study.

ITO Type. ITO choices represent alternate ways for organizations to leverage available resources to increase the value of IT in meeting corporate objectives (Rustagi, 2008; Currie & Willcocks, 1997). We contend the strength of the IT OI - those central and distinct characteristics - matter more in effective knowledge sharing activities when ITO something that's *core* to the organization. Because the identity is strong (and they want to keep it that way), the client will play a more prominent role in the engagement's success by building strong relationships with the supplier, even in situations which could be perceived as threatening to the organization. If the organization is outsourcing something that's perceived as a *commodity*, the strength of the identity matters less because the organization sees that activity as no threat to their central and distinct characteristics. It won't fundamentally change who they say they are, so there's less of a need to invest in building a meaningful relationship with the supplier.

H1. The positive effect of effective knowledge sharing on ITO success through OI strength is stronger for *core* than for *commodity* types of outsourcing.

OI Type. We bring OI type into our research conversation as a boundary condition, positing that the strength of those central and distinct characteristics matter more in effective knowledge sharing activities when you possess a utilitarian OI. The strength of those central and distinct characteristics matter more in effective knowledge sharing activities when you possess a utilitarian OI. Tactics employed by utilitarian organizations usually focus on economic, measurable success factors within their organization (Brickson, 2005). In an ITO arrangement, these tactics largely take the form of activities such as contract governance and supplier capability management. Relational techniques for ITO success such as knowledge sharing, trust, and communication quality between client and supplier would be less attractive tactics as they are difficult to empirically measure. We expect that because utilitarian organization members identify ITO success as the economics of the arrangement, those possessing strong and utilitarian identities will be more committed to all aspects of what makes a relationship successful, not just those things that are naturally central to who they are. By contrast, relationship characteristics share a similar palate to normative identity orientations. Their identity tends to be ideological and value-centric - sensemaking and storytelling are the vehicles by which normative organizations are shaped. Thus, relationship characteristics like knowledge sharing is embedded in the framework of normative organizations as a primary method by which these organizations shape and maintain identity.

H2: The positive effect of effective knowledge sharing on ITO success through OI strength is stronger for *utilitarian* than for *normative* types of organizational identity.

Team-Level Identity Strength. OI is not a scientific measurement. Rather, it's rooted in the collective perceptions of the central and distinct characteristics defined by its members. And as individual's are part many 'organizations' in a given firm – team, function, organization – identities are formed at each of these levels (Albert & Whetten, 1985; Pratt & Rafaeli, 1997). In this study, we examine the OI at the IT function and team levels. McGuire 2014's study found evidence of respondents articulating that strength at the team level aggregated and influenced the organizational level of identity. Strong team-level identity created strong OI. Those demonstrating weaker identities at the team level affected their sense of identity at the organization level. As identity is comprised of a collective perception of the organization's members, we expect that those members who maintain a strong team-level identity exhibit the same strength-based characteristics at the organization level.

H3. The positive effect of effective knowledge sharing on ITO success through OI strength is stronger for *strong* than for *weak* team-level identity.

Client-Supplier Cultural Similarity. The underlying proposition is that clients and suppliers with similar cultures will engage in process development focused on communication, cooperation, and a framework for sharing of knowledge. These relational activities are crucial for the success of the ITO arrangement. In previous studies, it's suggested that cultural dissimilarity would mean a struggle to

establish a productive client-supplier relationship, resulting in less successful ITO arrangements. Instead, we contend that OI can be used as a way to intervene and shield the construction of effective knowledge sharing where cultural dissimilarity exists. Specifically, we believe that the strength of the IT organization's identity bridges the gap of corporate cultures by establishing a common language needed to foster effective knowledge sharing between client and supplier. Members of the client organization with a strong identity will recognize the dissimilarity in cultures – through observation of supplier behaviors – and will ensure that their identic attributes compensate for the distance they experience. Those relationships which enjoy a high degree of cultural similarity will require less of the OI strength to preserve the effectiveness of sharing knowledge between client and supplier teams.

H4. The positive effect of effective knowledge sharing on ITO success though OI strength is stronger for *low* than for *high* client-supplier cultural similarity.

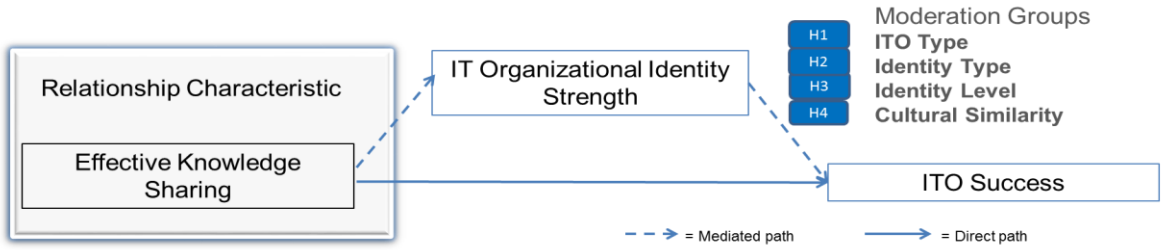

Figure 1. Research Model

Research Design and Methods

To validate our research model, we carried out an electronically disseminated self-administered cross-sectional survey. A survey instrument was designed to elicit perceptions of organizational identity (OI) and outsourcing (ITO) from individuals working in IT leadership roles on the client side. Our unit of analysis was the client IT organization and its ITO arrangements.

Construct operationalization. We adopted established constructs from extant literature to test our research model. All scales were defined as reflective (Jarvis, Mackenzie et al., 2003). Table 1 provides a summary of the constructs used in this study. Each item was measured using a five-point Likert scale anchored by extremes of "strongly disagree" and "strongly agree."

Construct	Definition	Scale used/ adapted
ITO Outcomes – Success (DV)	The success of an outsourcing arrangement is measured as an attainment of strategic, economic, and technological benefits.	Lee (2000)
Effective Knowledge Sharing (IV)	The degree to which clients and suppliers are successful in sharing and transferring knowledge. This definition broadly includes both tacit and explicit knowledge.	Lee (2001)
IT Outsourcing Type (Moderator)	A respondent's perception as to the type of outsourcing the organization engages.	Rustagi (2008)
IT Organizational Identity Type (Moderator)	Defined as a perception of one's organization as more utilitarian or normative in nature.	Gioia and Thomas (1996)
IT Organizational Identity – Team Level (Moderator)	A member's perception of how well their IT *team* maintains a set of characteristics that are central and distinctive.	Gioia and Thomas (1996)
Client-Supplier Cultural Similarity (Moderator)	Reflects the degree of similarity of corporate cultures – patterns of shared values and belief that help individuals understand how the organization functions – between client and supplier.	Lee and Kim (1999)
IT Organizational Identity Strength (Mediator)	A member's perception of how well their IT *organization* maintains a set of characteristics that are central and distinctive.	Gioia and Thomas (1996)
Length of ITO (Control)	The amount of time in which the organization has employed the outsourcing arrangement.	Lee et al (2004)
Industry Type (Control)	The primary industry classification of a client organization.	Cho and Kim (2002)

Table 1: Constructs and Scales

Statistical Analysis. Several statistical techniques were employed to (1) ensure validity, reliability, and adequacy of the data, and (2) to create appropriate model specification prior to the testing the hypotheses. The initial data set of 340 responses from IT leaders in organizations involved in some form of ITO was screened for statistical assumptions (Mertler & Vannatta, 2005) including missing data, outliers, normality, linearity, homoscedasticity and multicollinearity. This resulted in a final sample set of 312 responses. See Table 2 for statistical validity detail of the constructs.

Factor	Mean	Std. Dev.	ITO Success	Effective Knowledge Sharing	Org. ID Strength	ITO Type	Cultural Similarity	Org ID Type
ITO Success	3.61	0.626	1.000					
Effective Knowledge Sharing	3.48	0.709	.686	1.000				
Org. ID Strength	4.45	0.685	.666	.475	1.000			
ITO Type	3.76	0.707	.641	.699	.472	1.000		
Cultural Similarity	2.96	0.725	.159	.153	.129	.134	1.000	
Org ID Type	4.03	0.670	.559	.502	.391	.532	.193	1.000

Table 2. Descriptive Statistics and Correlations among Constructs

Measurement Model. We conducted a confirmatory factor analysis (CFA) by incorporating each construct and associated items to a measurement model. The model was further refined by adding appropriate covariance relationships when theoretically justified (Ragin & Byrne, 2009). The overall fit for the model was good (CMIN/df = 1.9, RMSR = .04, TLI = .94, CFI = .94, AGFI = .85, RMSEA = .06, PCLOSE = .11). The composite reliability (CR) (Table 3) exceeded the acceptable threshold level (> .70) and the AVE for all factors was greater than .5 (Hair et al, 2010). For all constructs, AVE is greater than the maximum shared variance (MSV) with any other construct as well as the average shared variance (ASV) with all the other constructs in the model. The square root of the AVE (bold on the diagonal above in Table 4) demonstrated adequate discriminate validity as the diagonal values are greater than the other correlations.

	CR	AVE	MSV	ASV
RELCS	0.714	0.558	0.065	0.030
ITOS	0.920	0.561	0.529	0.416
RELKS	0.915	0.642	0.601	0.357
OIDS	0.857	0.548	0.507	0.310
ITOT	0.863	0.677	0.601	0.366
OIDT	0.704	0.543	0.529	0.369

Table 3. Convergent Validity

	RELCS	ITOS	RELKS	OIDS	ITOT	OIDT
RELCS	**0.747**					
ITOS	0.163	**0.749**				
RELKS	0.148	0.721	**0.801**			
OIDS	0.255	0.712	0.496	**0.740**		
ITOT	0.126	0.705	0.775	0.521	**0.823**	
OIDT	0.135	0.727	0.629	0.677	0.667	**0.737**

Table 4. Discriminant Validity

Because all of the variables were collected using a single method (online survey) and because of the large percentage of explained variance coming from a single factor (ITO Success), a Common Method Bias (CMB) test was conducted by adding a common latent factor (CLF) (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The model showed still sufficiently strong composite reliability and AVE scores for each construct and no differences greater than 0.200 between path estimates were detected suggesting a low threat of CMB.

Finally, we conducted both configural and metric invariance tests on the model to ensure groups are interpreting the items in the same way (Campbell et al., 2008).

Structural Model. A final structural model was built using composites imputed from latent factor scores. The fitted structural model demonstrates a good model fit: (CMIN/df = 1.9, RMSR = .07, TLI = .95, CFI = .96, AGFI = .88, RMSEA = .05, PCLOSE = .27) and is consistent with the direct effects model (CMIN/df = 2.23, RMSR = .14, TLI = .93, CFI = .94, RMSEA = .06). Hypotheses tests for moderated effects were tested separately for each of the four moderator variables and results interpreted using techniques suggested by Muller et al (2005) and Preacher et al. (2007). Results are summarized in Table 5.

Results

The objective of this study is to provide important new insights into the role of OI in IT functions in an ITO setting – specifically, to explore in what circumstances does the role OI strength influence the positive effect of effective knowledge sharing on ITO outcomes. Before testing our hypotheses, we examined our direct model confirming a positive effect of effective knowledge sharing on ITO success (R^2 =0.62) - findings consistent with previous studies (Lee, 2001; Dibbern et al, 2008). When adding the OI strength into the model, we see a marked increase in explained variance (R^2 =0.70) confirming that the strength of an IT organization's identity influences ITO success, consistent with a recent study from McGuire et al (2015).

Hypotheses testing revealed that three of our four propositions were supported. A summary of our results is shown in Table 5.

H1: The positive effect between effective knowledge sharing and ITO success through organizational identity strength is stronger for *core* than for *commodity* types of outsourcing.

Group	Direct Beta w/o Med	Direct Beta w/Med	Indirect Effects (Bootstrap)	Mediation Type	Significance test (z-score)	Supported?
Commodity (R2 - Direct=.41 ; R2 - Mediated =.46)	.396***	.362***	.122**	Partial	Yes (z-score: 2.354**)	YES
Core (R2 - Direct =.67 ; R2 - Mediated =.74) N=198	.610***	.537***	.221***	Partial		

H2: The positive effect between effective knowledge sharing and ITO success through organizational identity strength is stronger for *utilitarian* than for *normative* types of identity.

Group	Direct Beta w/o Med	Direct Beta w/Med	Indirect Effects (Bootstrap)	Mediation Type	Significance test (z-score)	Supported?
Normative (R2 - Direct = .36 ; R2 - Mediated= .37)	0.310***	0.304***	0.023ns	No Med	Yes (z-score: 2.358**)	Yes
Utilitarian (R2 - Direct = .70; R2 - Mediated= .76) N = 214	.739***	.641***	.191***	Partial		

H3: The positive effect between effective knowledge sharing and ITO success through organizational identity strength is stronger for *strong* than for *weak* team-level identity.

Group	Direct Beta w/o Med	Direct Beta w/Med	Indirect Effects (Bootstrap)	Mediation Type	Significance test (z-score)	Supported?
Weak (R2 - Direct = .47 ; R2 - Mediated= .51)	.590***	.493***	.108**	Partial	NO (z-score: 0.389ns)	NO
Strong (R2 - Direct = .59 ; R2 - Mediated= .53)	.611***	.500***	.114***	Partial		

H4: The positive effect between effective knowledge sharing and ITO success through organizational identity strength is stronger for *low* than for *high* client-supplier cultural similarity.

Group	Direct Beta w/o Med	Direct Beta w/Med	Indirect Effects (Bootstrap)	Mediation Type	Significance test (z-score)	Supported?
High (R2 - Direct = .88 ; R2 - Mediated= .92)	.708***	.531***	.334**	Partial	YES (z-score: 2.091**)	YES
Low (R2 - Direct = .58 ; R2 - Mediated= .67)	.546***	.464***	.241**	Partial		

Table 5. Hypotheses Results

Discussion

This study is significant in advancing the understanding of the presence of organizational identity (OI) strength in the outsourcing (ITO) context. It illustrates that it is not always present and if present, not always a significant impact on inter-organizational relationship influence on ITO success

The underlying premise is that what you outsource – referred to degree of core competence or ITO type - matters (Rustagi, 2008; Currie & Willcocks, 1997). Consistent with what we know about the notion of degree of core competence outsourced, evidence has been mixed in terms of how and in what way the type of ITO impacts the degree of ITO success (Rustagi, 2008; Hancox & Hackney 2000). This study found that the strength of the IT OI matters more in inter-organizational activities when ITO something that's core to the IT organization. Bringing OI thinking into the discussion furthers the understanding of how the type of ITO affects building relationships between IT functions and ITO providers. Capabilities considered core to the IT function aligns to identity's definition of characteristics, which are central and distinct. An IT organization who has a strong sense of identity knows when and how it may be prompted to change. In order to preserve the identity they have maintained – or seek to change as a result of the ITO – they will draw upon that strength to ensure the identity is reshaped intentionally. This manifests itself in the development of strong relationships with suppliers through techniques like knowledge sharing.

In an ITO arrangement, tactics of utilitarian identities largely take the form of activities such as contract governance and supplier capability management rather than relational techniques such as knowledge sharing as they are difficult to empirically measure, a key attribute for being utilitarian.

Because utilitarian organization members identify ITO success as the economic outcomes of the arrangement, those possessing strong and utilitarian identities are more committed to all aspects of what makes a relationship successful, not just those things that are naturally central to who they are. What is noticeably more interesting regarding the support of this thinking is that the normative identity is not merely statistically less significant than utilitarian, but the study actually showed that IT organization's OI strength no longer played a role in effective knowledge sharing's influence on ITO success. Why would this be? We expect it is due to the fact that relationship characteristics – such effective knowledge sharing - share a similar palate to normative identity orientations. IT organizations with this type of identity tends to be ideological and value-centric: sense-making and storytelling are the vehicles by which normative organizations are shaped. Thus, relationship characteristics like knowledge sharing are embedded in the framework of normative organizations as a primary method by which organizations shape and maintain identity. It also affirms the underlying notion of relational exchange in that the shared norms and values lead to more successful relationships, warding off negative effects of opportunistic behavior (Brown et al, 2000). An IT function with a normative identity already aligns to this philosophy and thus, the identity strength is not as necessary to foster the successful relationship.

Clients and suppliers with similar cultures will engage in process development focused on communication, cooperation, and a framework for sharing of knowledge - relational activities crucial for the success of the ITO arrangement (Rustagi, 2008; Currie & Willcocks, 1998). In this investigation, we found that OI can be used as a way to intervene and shield the construction of effective knowledge sharing where cultural dissimilarity exists. The first glimpse of the role of culture in ITO relationships came when reviewing the findings of McGuire's 2014 exploratory study. IT leaders often described how the relationships with ITO providers were established and maintained. The strength of the IT organization's identity bridged the gap of corporate culture by establishing a common language needed to foster effective knowledge sharing between client and supplier. Members of the client organization with a strong identity recognized the dissimilarity in the cultures – through observation of supplier behaviors – and ensured that their identity attributes compensated for the distance they experienced in the ITO provider's culture. Those relationships which enjoyed a high degree of cultural similarity required less of the OI strength to preserve the effectiveness of the relationship between client and supplier teams.

What these three conditional findings illustrate are ways in which OI operationally effects the inter-organizational relationships. Literature confirms that identity is deeply embedded and inseparable from organizational routines, practices, knowledge, skill, and capabilities (Kogut & Zander, 1996; Nag et al., 2007). But these findings also surface a broader strategic application of how OI helps to develop inter-organizational relationship strategy for better ITO outcomes filling an important research gap in ITO literature. Research which articulates relationship strategy development misses the contextual assessment of an IT organization beyond technical capability inventories and compatibility checks with the ITO provider. Also missing is a mechanism whereby the IT function conveys that new identity state during relationship development and management activities is reached. McGuire et al (2014) found that participants with strong IT function identities discussed devising sustainable relationship strategies beyond what the ITO contracts conveyed. They described a need to step back and evaluate what this relationship meant to the IT organization – not just in terms of tasks performed, but in terms of desired models of behavior and action. It also prompted more depth discussions – taking up other ITO considerations – such as what is being outsourced – and organization characteristics – such as whether the IT function subscribes to a financially motivated or values-based identity. This technique of an OI "re-baseline" by the IT function in light of change brings a new dimension to the relationship which is being constructed, transforming the operational relationship development into strategic relationship development by reinforcing the actions and behaviors of the IT organization and ITO provider members which foster and project the desired "us".

Limitations and Future Research

Although our initial findings are promising, our study is not without limitations. First, our study reflects a point in time and does not capture the possible feedback effect of effective knowledge sharing,

OI strength, and ITO success over time. Ideally, we need a longitudinal research that tracks ITO engagements over time. Second, results rely on a single individual to reflect the perception of identity for the entire IT function and therefore limit the ability to generalize these findings at the organizational level. Third, the scope of our study is limited to IT functions within an organization. Further research is encouraged to test the generalizability to all ITO relationships.

This study brings promising implications for the academic community. We encourage further research which explores effects of additional organizational dynamics (such as culture and image) on this causal chain. We also encourage an extension of this model in two ways: 1) To other functional areas of the business which routinely engage in outsourcing, such as Human Resources and other business process functions and 2) within the context of what current ITO research, notably ITO in the age of disruptive technology and advancing sourcing strategy thinking for a global economy. This study focused on the client perspective of the client-supplier relationship yet there's much to be learned by exploring this model from the supplier's vantage point thus we encourage further study in this area.

This study also brings timely and relevant insights to practitioners who are currently engaged in ITO or those engaged in the decision making process as to whether or not to change their existing sourcing model. We offer two specific suggestions for practitioners:

1. We encourage organizations to examine their IT capabilities routinely, understanding and classifying the services as commodities and core. Also assess the supplier corporate culture alongside their own. As these classifications may change over time, we suggest an annual review cycle.
2. Understand 'who you are' as an organization. How the organization makes decisions, operationally executes, measures success, and what central/distinctive characteristics are valued all play a role in the success of the ITO arrangement.

In bringing these contributions to the fields of ITO and OI, practitioner and academic communities have a clearer understanding of how organizations respond to significant changes in their sourcing model by understanding how their identity influences relationships with ITO providers. Leaders with a comprehension of the mechanisms at work between these phenomena will be more competent decision makers in their human and technology investments, while delivering value to the business.

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